



Congressman Pedro R. Pierluisi
Floor Remarks as Prepared for Delivery
Debate on H.R. 5278, the *Puerto Rico Oversight, Management, and Economic Stability Act*
(PROMESA)
June 9, 2016

Rep. Pierluisi Remarks on H. Res 770, the Structured Rule Governing Debate on H.R. 5278

Thank you, Congressman Hastings.

In the last year-and-a-half, this Congress has held nine hearings on Puerto Rico, a U.S. territory home to 3.4 million American citizens.

These hearings confirmed that Puerto Rico is in jeopardy right now. Not next year. Now. Island residents are relocating to the states in unprecedented numbers. The Puerto Rico government is on the brink of collapse, a victim of decades of inequality at the federal level and mismanagement at the local level.

The government and its instrumentalities have \$70 billion in bonded debt, three public entities on the island have already defaulted on payments to creditors, and larger defaults appear imminent. Puerto Rico's three main pension systems are severely underfunded, placing at risk the retirement security of over 330,000 individuals. The government of Puerto Rico has lost access to the credit markets, so it cannot borrow money to meet current obligations.

All objective observers—including virtually every major editorial board in the nation—understand that the government of Puerto Rico must restructure its debts, ideally through voluntary agreements with creditors, but through a court-supervised process if necessary. It is regrettable that we have reached this point, but it is reality. We must confront this challenge with courage and candor.

PROMESA gives Puerto Rico the critical tool that it currently lacks, namely a legal mechanism to restructure its debts in an orderly way, ensuring that sacrifice will be shared in a fair and equitable manner. Without PROMESA, the Puerto Rico government is likely to collapse, participants in public pension plans will be terribly harmed, and most bondholders could lose their investments. Absent this bill, almost nobody wins and nearly everybody loses.

Now, PROMESA pairs debt restructuring authority with the creation of an independent oversight board to help the Puerto Rico government better manage its public finances, balance its budget, become more efficient and transparent, and regain access to the credit markets. There are some Puerto Rico politicians who seek broad debt restructuring authority from Congress but oppose an oversight board. This is not a realistic position, and would result in Puerto Rico receiving nothing.

I fully understand the importance of democracy and dignity. As a lifelong advocate for statehood for Puerto Rico, I want *full* democratic rights for the island on both the national and local level, not *fewer* democratic rights.

My test from day one has been that the board should have the authority to oversee—but not to command and control—the government of Puerto Rico. PROMESA meets this test. After intensive negotiations, the bill establishes a reasonable board with powers far less potent than the powers that Congress gave the board it established for the District of Columbia in 1995. If the Puerto Rico government does its job well, the board will have a limited role and will cease to operate within a few years.

PROMESA, like any product of bipartisan compromise, is not perfect. For instance, the minimum wage provision is deeply misguided, and I support Ms. Torres' amendment to remove it from the bill. Nevertheless, there is almost zero chance this provision will affect a single worker in Puerto Rico, since the local government will retain the ability to prevent its use.

This bill is the best chance we have to solve the immediate fiscal crisis in Puerto Rico and to place the island on the path to a brighter future. I urge my colleagues to vote yes on the bill.

Rep. Pierluisi Remarks on Rep. Jolly/Rep. Curbelo Amendment #7

Thank you, Congressman Grijalva. I rise to support this thoughtful amendment and to thank its authors, Congressman Jolly and Congressman Curbelo, both from Florida.

Florida is home to over one million individuals of Puerto Rican birth or descent, and will soon pass New York as the state with the largest Puerto Rican population. Many of the Puerto Rican families in Florida are recent arrivals, having relocated from Puerto Rico to the Sunshine State in search of the equality and economic opportunity that they lack on the island.

I also want to thank the organization Jubilee USA, which has been a constructive player in the debate over PROMESA, and which is the driving force behind this amendment.

This amendment requires the Congressional Task Force on Economic Growth in Puerto Rico, created by Section 409 of the bill, to report on recommended changes to federal policy that would reduce child poverty in Puerto Rico.

I do not want to prejudge the work of the Task Force, so I will simply say this. Poverty in Puerto Rico, including child poverty, is far higher than any state in the nation—and has been far higher for as long as statistics have been available. This demonstrates that the problem is structural in nature. It is rooted in the unequal treatment that Puerto Rico receives under key federal anti-poverty programs, which is only permissible because Puerto Rico is a territory rather than a state. To reduce poverty, we must end unequal treatment. And to end unequal treatment, Puerto Rico must discard its territory status in favor of statehood or nationhood.

Rep. Pierluisi Remarks on Rep. Duffy/Rep. Pierluisi/Rep. Don Young Amendment #26

Thank you. I want to begin by thanking Congressman Duffy for his outstanding work on this bill and on this particular amendment. I also want to thank Congressman Don Young, a steadfast champion for fair treatment for Puerto Rico, who is also a cosponsor of this amendment.

The primary purpose of this amendment is to increase small business activity and promote job creation in Puerto Rico.

The HUBZone program supports economically-distressed communities throughout the nation. If the poverty rate or median income in a census tract meets a certain threshold, it is designated a “qualified census tract.” Small businesses located in a qualified census tract can compete for federal contracts with preference, assuming they meet all other criteria established by law.

However, there is a statutory cap which prevents the combined population of the qualified census tracts within a Metropolitan Statistical Area from exceeding 20 percent of the total population of that MSA. Although the cap applies nationwide, it has a uniquely negative impact in Puerto Rico. In 2013, over 500 of the 945 census tracts in Puerto Rico would have been qualified census tracts but for the MSA cap. Small firms located in over 60 municipalities in Puerto Rico cannot take advantage of the HUBZone program solely because of the cap. No other U.S. state or territory comes anywhere close to being as adversely affected by the cap as Puerto Rico.

To promote economic development in Puerto Rico, which is absolutely essential if the territory is going to prosper, our amendment would remove the cap for Puerto Rico for 10 years or until the

independent oversight board established by PROMESA terminates, whichever occurs first. Based on the best available statistics, this amendment ensures that small firms located in over 80 percent of the census tracts in Puerto Rico may be eligible to compete with preference for federal contracts, which should create additional employment opportunities on the island. The amendment will only extend the HUBZone program to those census tracts in Puerto Rico that would have qualified for the program in the absence of the cap, so it does not constitute an unwarranted expansion of the HUBZone program.

Additionally, our amendment seeks to improve the HUBZone program nationally. The amendment requires SBA to follow GAO's recommendation—designed to reduce the risk that firms that do not meet HUBZone program eligibility will receive HUBZone contracts—that SBA develop a “risk-based approach” to requesting and verifying information from firms applying to be designated as qualified HUBZone small businesses.

Rep. Pierluisi Remarks During General Debate

I represent Puerto Rico in Congress, and I rise in support of PROMESA.

Puerto Rico is at a crossroads. Since 1898, Puerto Rico has been a territory of the United States, subject to the broad powers of Congress under the Territory Clause. In 1917, Congress conferred U.S. citizenship on individuals born in Puerto Rico. In the 1950s, Congress authorized and approved a constitution for Puerto Rico, which provides the island with a republican form of government consisting of three branches.

Because Puerto Rico is a territory, my constituents have never been treated equally relative to their fellow U.S. citizens in the states, in terms of either democratic rights or economic opportunities. In large part to compensate for the lack of fair treatment at the federal level, the Puerto Rico government has spent beyond its means at the local level, leading to excessive deficits and debt.

This lack of discipline is regrettable, but understandable—since the Puerto Rico government is seeking to provide a quality of life to island residents comparable to the quality of life in the states. Bear in mind that my constituents can hop on a plane anytime and move to Florida or Texas.

The bill we consider today, PROMESA, is a bipartisan compromise intended to deal with the territory's unprecedented fiscal crisis, which is severe and immediate. The bill will enable Puerto Rico to restructure its public debt in a fair and orderly manner, while establishing an independent and temporary oversight board to ensure that Puerto Rico has a viable, long-term fiscal plan and balanced budgets, and that it sticks to both.

In an emergency, the first step is to stabilize the situation, and I believe PROMESA can accomplish this objective. Without PROMESA, the Puerto Rico government is likely to collapse, participants in public pension plans will be terribly harmed, and many bondholders could lose their investments. PROMESA is in the interest of all stakeholders, and the most likely alternative is chaos, litigation, rapidly deteriorating quality of life in Puerto Rico, and even greater migration to the states.

However, let me be plain. This bill is an essential first step, but it is not an enduring solution. The federal government, and indeed the Puerto Rico government, must come to terms with a fundamental fact. So long as my constituents are treated like second-class citizens, Puerto Rico will never have a first-class economy. Puerto Rico must become a full and equal member of the American family as a state, which is the just and logical next step, or Puerto Rico must join the community of nations as a sovereign country. Puerto Rico deserves true democracy and true dignity—nothing less.